

Efficient Management of a Real Estate Portfolio

**Commonwealth of Virginia
Department of General Services
Division of Real Estate Services**

June 13, 2017

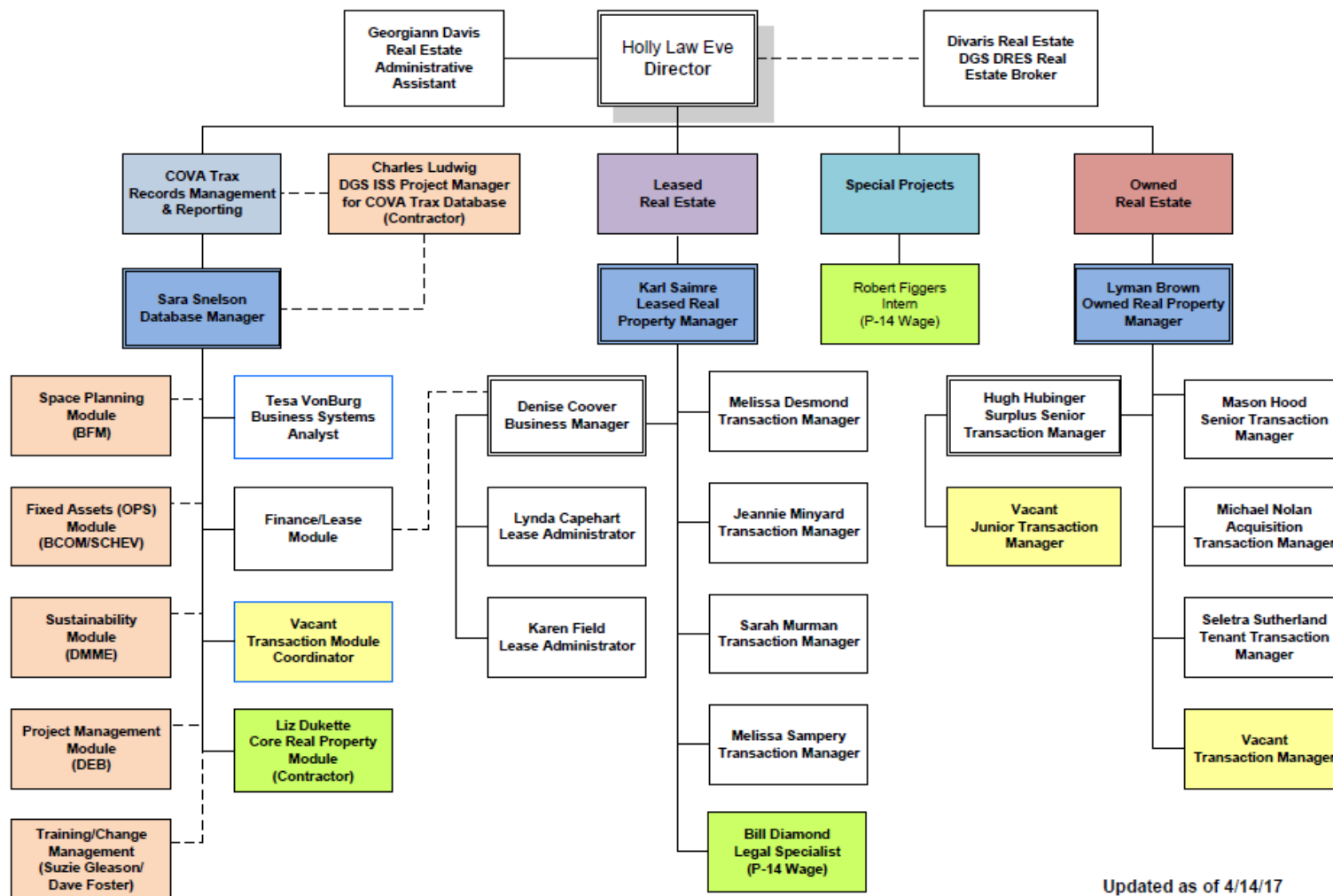


Director, DGS Division Real Estate Services

- More than 30 years of experience in the corporate and commercial real estate finance industry
- Experience includes corporate property management; commercial/construction loan origination, administration and servicing; lease and site acquisition negotiation; recovery management and liquidation of non-performing loans and real estate owned assets
- Virginia Tech and Virginia Commonwealth University Graduate
- Lifelong Virginia resident who enjoys water sports and is a Red Cross Water Safety Instructor and an Advanced Open Water Scuba Instructor

DGS DRES Organizational Chart

DEPARTMENT OF GENERAL SERVICES DIVISION OF REAL ESTATE SERVICES (DRES)



Updated as of 4/14/17



Manager, Leased Real Property

- Joined Virginia's Division of Real Estate Services (DRES) team in 2010
- Serves as the Manager for Leased Real Property overseeing +/- 490 commercial leases with an annual value of \$64 million
- Prior to joining DRES, Karl spent 5 years in a California commercial real estate firm focusing on leasing, property management, new development and affordable housing
- Karl holds an Operations Management degree from the University of Delaware, a MBA from the University of Hawaii and a Masters of International Management from Thunderbird Global School of Management



Transaction Manager, Owned Team

- Joined Virginia's Division of Real Estate Services (DRES) after a rewarding and diverse stint in the fast-paced world of New Jersey land development and real estate
- Brings over 30 years' experience in land development, construction; acquisition, conveyance and leasing; site planning design; and land use/zoning review and approvals.
- Has expertise in land title and use rights including various forms of ownership, easements, grants, licenses, encumbrances, use restrictions and zoning rights
- Previously, Mike was a partner in an engineering and architecture firm, served as chairman of his local Zoning Board of Adjustment and worked for a commercial real estate broker.



Transaction Manager, Owned Team

- Joined the Virginia's Division of Real Estate Services (DRES) in September 2015 following an exciting career in the private sector real estate industry
- As a licensed real estate Broker, she brings over 10 years' experience in commercial and residential acquisitions, sales, property management and leasing
- Owned and operated a real estate firm that specialized in the development and management of commercial mixed-use historic renovation properties
- Holds a B.A. degree from the University of Maryland, College Park and she is currently pursuing a Master of Public Administration degree from Virginia Commonwealth University's Graduate School of Government and Public Affairs
- Brings a customer centered approach to her role as Transaction Manager with DRES

- Broker – Divaris Real Estate, Inc.
- Appraisers
- Title Companies
- DGS Division of Engineering and Buildings Professional and Non-Professional Contracts





Executive Order 75 – issued on June 22, 2004

Establish a unified and fully integrated real estate portfolio management system for the agencies and institutions of the Executive Department, based on the following enterprise-wide goals:

- Increase collocation and bargaining power
- Decrease total and per-person space allocations
- Reduce total costs
- Maintain agency security and operational needs
- Augment or maintain agency functional space and real property services

CODE OF VIRGINIA

The following sections of the Code of Virginia and the Appropriations Act are applicable to DRES:

Virginia Code Sections	Subject
2.2-1130	Care of Virginia War Memorial Carillon
2.2-1131	Maintenance and Utilization Standards
2.2-1131.1	Establishment of performance standards for the use of property
2.2-1136	Review of easements; maintenance of real property records (includes Chapter 211 Act effective 7/1/2014)
2.2-1137	Location, construction or lease of state consolidated office buildings
2.2-1140	Assignment of office space
2.2-1146	Department may lease certain state property; preparation of leases by Attorney General; disposition of rentals
2.2-1147 through 2.2-1156:	
General statutes regarding real estate transactions by departments, agencies and institutions of the Commonwealth	
2.2-1147	Definitions
2.2-1147.2	Equal access to state-owned or controlled property; Boy Scouts of America and Girl Scouts of the USA
2.2-1148	Approval of actions; conveyances in name of the Commonwealth
2.2-1149	DGS to review proposed acquisitions of real property; approval by the Governor; exceptions
2.2-1150	Conveyance and transfers of real property by state agencies; approval of Governor and Attorney General; notice to members of General Assembly
2.2-1150.1	Lease or conveyance of any interest in State Police communications tower or site
2.2-1150.2	Use of communication towers for deployment of wireless broadband services in unserved areas of the Commonwealth
2.2-1151	Conveyance of easements and appurtenances thereto to cable television companies, utility companies, public service companies, political subdivisions; lease of space to a credit union; Communication Towers

- Strategic portfolio management
- Property acquisition services/management
- Request for Proposal drafting, distribution and review
- Space programming/planning
- Financial modeling
- Lease negotiation
- Lease drafting
- Agency advocate in approval process
- Lease Administration
- Real estate information systems
- Surplus real property disposal



425,000 acres of land
in **1,000** locations

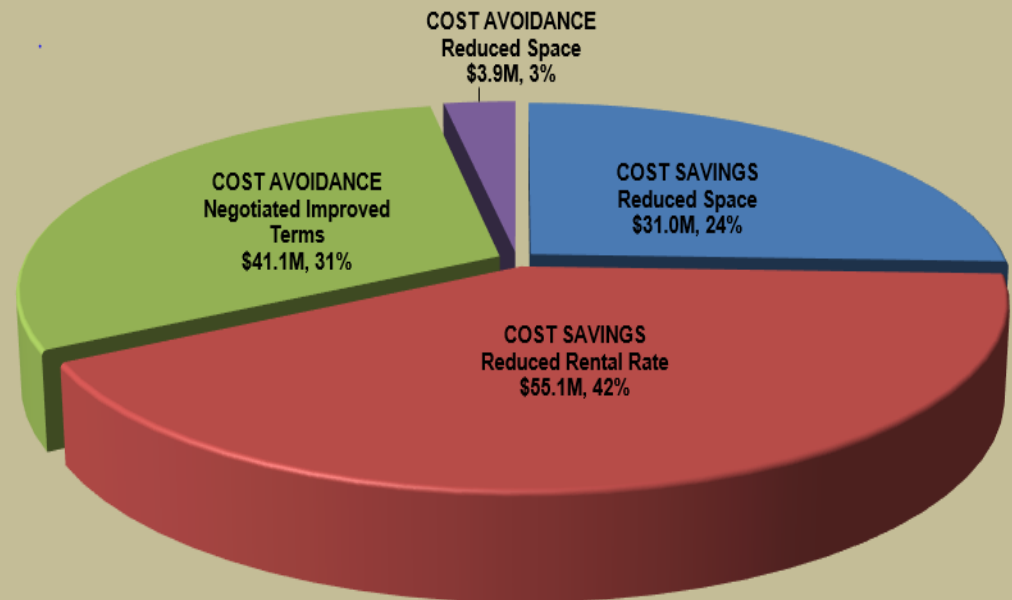
11,000 owned buildings with **130
million** square feet of space

15⁺million
square feet of rental space in over **1,500** locations

500⁺ leases administered with annual
rental of **\$60 million**

\$137 million in cost savings and
avoidance since 2005

Commonwealth of Virginia
 Cumulative Real Estate Savings by Category Since 2005
 As of April 2017



Total Square Feet Leased - January 2005 to Present:	4,594,644
Total Lease Contract Value - January 2005 to Present:	\$550.0M
Average Annual Savings/Avoidance:	\$27.0M
Total Savings/Avoidance Over Lease Term	\$136.6M
Savings/Avoidance as % of Lease Value:	24.8%

Efficient Lease Management

Karl Saimre

- Right size at the right time to deliver the right service
- Optimization for 34 customer Agencies
- Understand service delivery models
- Understand agency objectives & changes to service models
- Provide real estate solutions to assist with Agency service delivery
- Cost and Space Optimization of the COVA portfolio
- 497 leases in 156 communities



Lease – Challenges

- Agency Budget variations
- Decentralized Funding
- Decentralized Agency Decision making
- Non – Appropriation language
- Landlord Variations from REITs to mom and pops
- Current Workplace vs. Workforce Trends



Lease – Efficiency Practices

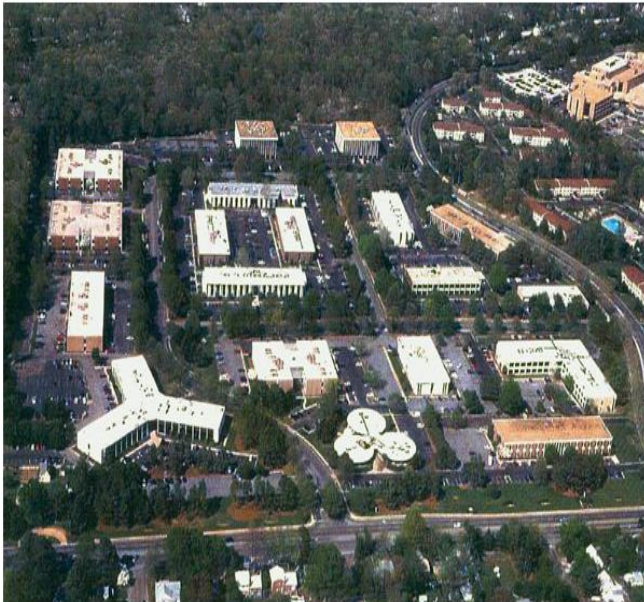
- Use of Commercial Brokers – added value
- Dedicated Lease Administration – added value
- Critical Lease Date tracking – proactive vs. reactive
- Co-locations / Consolidations – cost sharing
- Bundling Requirements – market purchasing power
- Space planning – program delivery models – space optimization
- Full service turnkey leases – reduce variable cost risk
- Flat Rents throughout the term – reduce CPI & budget risk
- Term Renewal & Options to extend term – flexibility
- Rights of First Refusal and Options to Reduce – space flexibility





Perimeter Center – Richmond

- 164,153 SF leased in 177,185 SF building
- Five agencies - 667 state employees:
 - Board of Accountancy
 - Department of Health Professions
 - Department of Professional and Occupational Regulation
 - DRS Disability Determination Services Division
 - VDH Office of Licensure and Certification
- Initial Term expired in 2016
 - \$.206 million total build-out costs included in initial term
- GRACRE Award 2016 - Best Office Renewal
 - Rent Reduction of \$1.6 million and \$500,000 in Tenant Improvements



Forest Office Park – Richmond

- 127,694 SF leased in four business park buildings
- Six agencies - 448 state employees:
 - Department of Social Services
 - Department for the Aging and Rehabilitative Services
 - Department for the Deaf and Hard of Hearing
 - Indigent Defense Council
 - Department of Transportation
 - Department of the Blind and Vision Impaired
- Initial Term expired in 2015
- Renewal negotiation results:
 - Rent savings = \$474,000
 - \$1.7 million in Tenant Improvements
 - \$383,000 Refurbishment Allowance
 - \$1.1 million Furniture amortized allowance
 - Early termination right for defined programs

Efficient Owned Real Property Management

Mike Nolan

- Use of Commonwealth Brokers – added value and services
- Centralized procurement of professional services – purchasing power and procurement consistency
- Multi-disciplined staff from diverse professional backgrounds – in-house expertise enhances proficiency
- Centralized knowledge of assets and agency requirements – reduces duplication of facilities



- Centralized property ownership records – promotes increased accessibility to records and secure archives
- Standardized property acquisition policies and procedures – promotes efficiency
- Consistent document formatting and content – ensures legal compliance





New DGIF Headquarters – 7870 Villa Park Drive

- 88,960 SF, single story office/industrial flex building constructed in 1998
- Owned by SCP-G Villa Park LLC
- 9.035 acres
- 39% occupied, including UHS, Inc., Honeywell and OfficeMax
- Under contract to purchase at \$7.99 million or \$89.90/SF. Overall “turn-key” costs for DGIF to relocate was \$8.526 million.
- Initiated negotiations in June 2014 and closed July 2, 2015
- 2009 Capital appropriation of \$10 million Non-General - Game Protection Fund



New DGIF Headquarters - 7870 Villa Park Drive

**THIS PURCHASE OPPORTUNITY WAS ONLY ABLE TO BE
REALIZED DUE TO FORTUITOUS TIMING!**

- DGS was able to act quickly and secure the acquisition due to the existing project authorization and having the support of DPB
- DGIF recovered approximately \$5.1million from the surplus sale of their existing Broad Street Headquarters Facilities and the former PPEA build-to-suit Hanover Northlake site of 15 +/- acres is listed for sale
- DGIF will receive \$285,000/year from the 3rd party Villa Park occupant leases
- DGIF will eliminate the annual Hamilton Street Warehouse lease expense of \$48,000



Commonwealth as Landlord

Seletra Sutherland

Income Opportunities



- Residential Housing Portfolio
 - Ensure state-owned or leased properties occupied by employees for residential use are in safe and habitable condition, and policies are consistent across all agencies in the Commonwealth
- Communication Towers, Antennas, and Radio Distribution Devices
 - Assist agencies in acquiring or conveying an interest in real property for providing communications or information services, and wireless broadband service in “unserved areas”
- Third Party Tenants
 - Lease space within owned facilities at market rents to private sector occupants



Landlord/Owner Challenges



- Funding/cost
- Due diligence issues
- Inconsistent agency reporting of underutilized space/property
- Property marketability
- Residential housing at less than fair market value and inconsistent guidelines across agencies
- Capital project approval process



- Utilize property transfers among agencies and other government entities
- Negotiate contract terms
- Lease surplus property to third parties
- Negotiate rent sharing on communications towers
- Create inter-departmental employee housing policy
- Utilize Office of the Attorney General to ensure Commonwealth's interests are protected
- Use of commercial brokers in the disposition of surplus property



- Land Use Plan
 - annual agency reporting, confirming inventory
 - DGS identifies underutilized property
- Interagency transfers
- Sales to localities at fair market value for local economic development



Since 2005-2017 total surplus closed sales & property under contract

- 94 properties
- 1,640 acres
- Total sales \$106,692,324





Virginia Department of General Services

Serving Government. Serving Virginians.

DGS

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Laboratory Services

Procurement

Real Estate

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Graphics

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 Virginia's Real Estate & Assets Management System

SURPLUS PROPERTY SALES

The following properties are available for sale through the Commonwealth's commercial broker, Divaris Real Estate, Inc. The sale of underutilized property is directed by the Code of Virginia §2.2-1156. More information on the process can be found at this link: [Process for Selling Surplus Real Estate](#).



Cheatham Annex - 37.7 acres



Market Street - 13,946 SF; 2 acres



Northlake - 15.44 acres



Shirley Avenue - 5,467 SF; 1.04 acres

COVA Trax

Holly Law Eve

Records Management System:

- June 2012 – Bricnet/IREMS unsupported
- Internal DGS ISS considered in-house build
- RFP issued July 2013
- 7 responses – 5 providers
 - References - Gartner report
 - Multiple demos
 - Panel evaluation & selection



➤ Lengthy contract negotiations



Business Needs



Single system for accurate and consistent tracking of commonwealth real estate assets



Efficient means of gathering accurate and up-to-date information for legislative reporting



System flexibility to accommodate the commonwealth's AR and AP billing due to unique transactional structure



System that allows for varied reporting options to meet diverse internal and external requests for information



Ability to track real estate transactions of all types

Who Won?

MANHATTAN

 **Trimble.**

REAL ESTATE & WORKPLACE SOLUTIONS

 **JLL**
TECHNOLOGY SOLUTIONS

Why Manhattan?



Ability to customize the system to meet our needs now and in the future



Adaptability of the system to meet our needs as owner, landlord and tenant



Most intuitive and user-friendly system



Worked through challenges of stringent public procurement process



Best bang for the buck!

Manhattan @ Commonwealth = COVA TRAX

User Name

Password

Remember me ☐

[Forgot Your Password?](#)



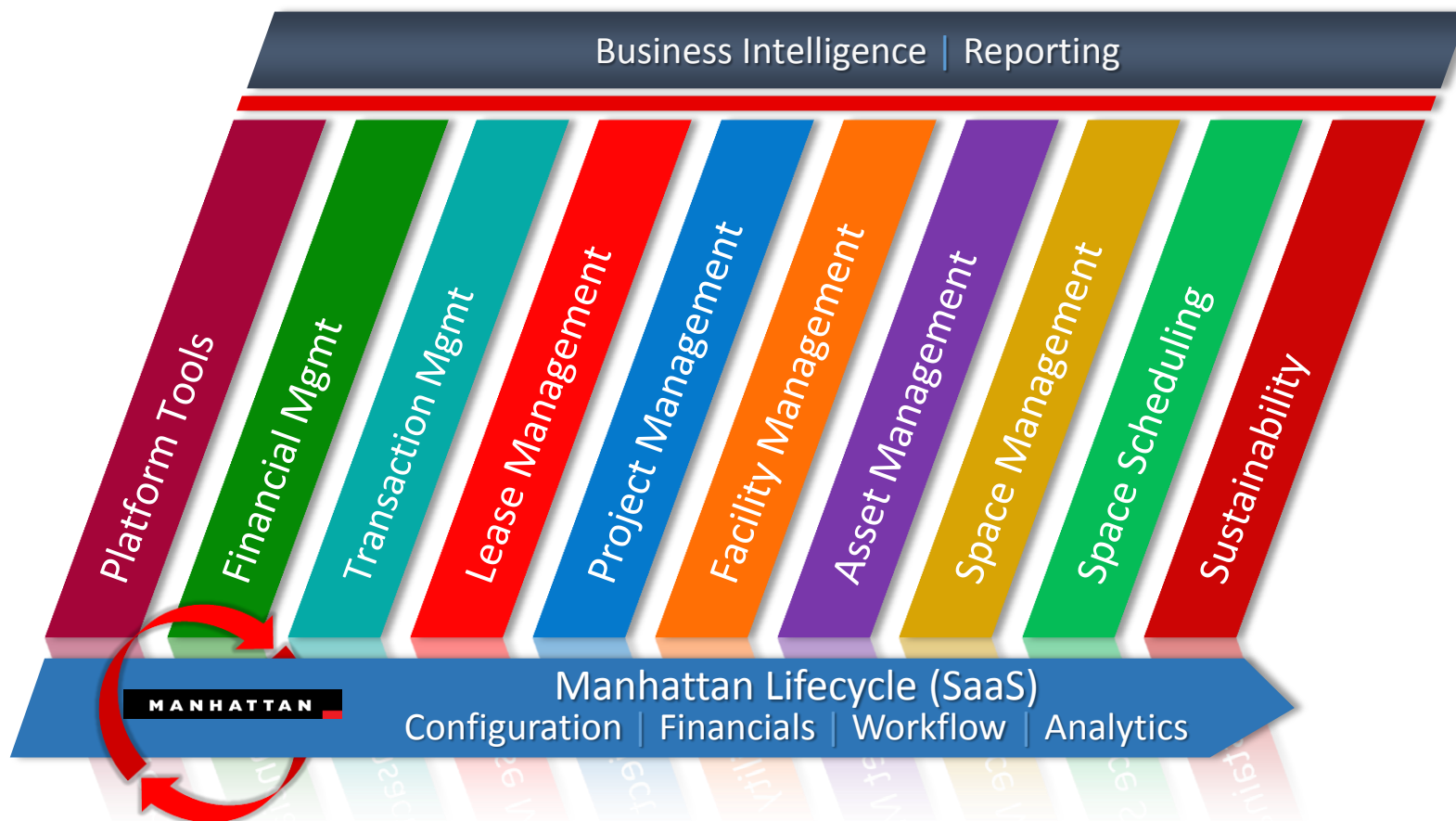
Pre-IWMS State

- Outdated real estate records management system
- Multiple systems containing similar or overlapping data
- Inconsistent data reported from existing systems
- Limited reporting capabilities
- Difficult to navigate
- Inability to see relationships between records

Post-IWMS State

- Centralized core data set shared across users
- Building bridges across agencies
- Increased efficiency and processes
- Enhanced accuracy and consistency in reporting
- Greater transparency and accountability
- Strategic management of Commonwealth assets

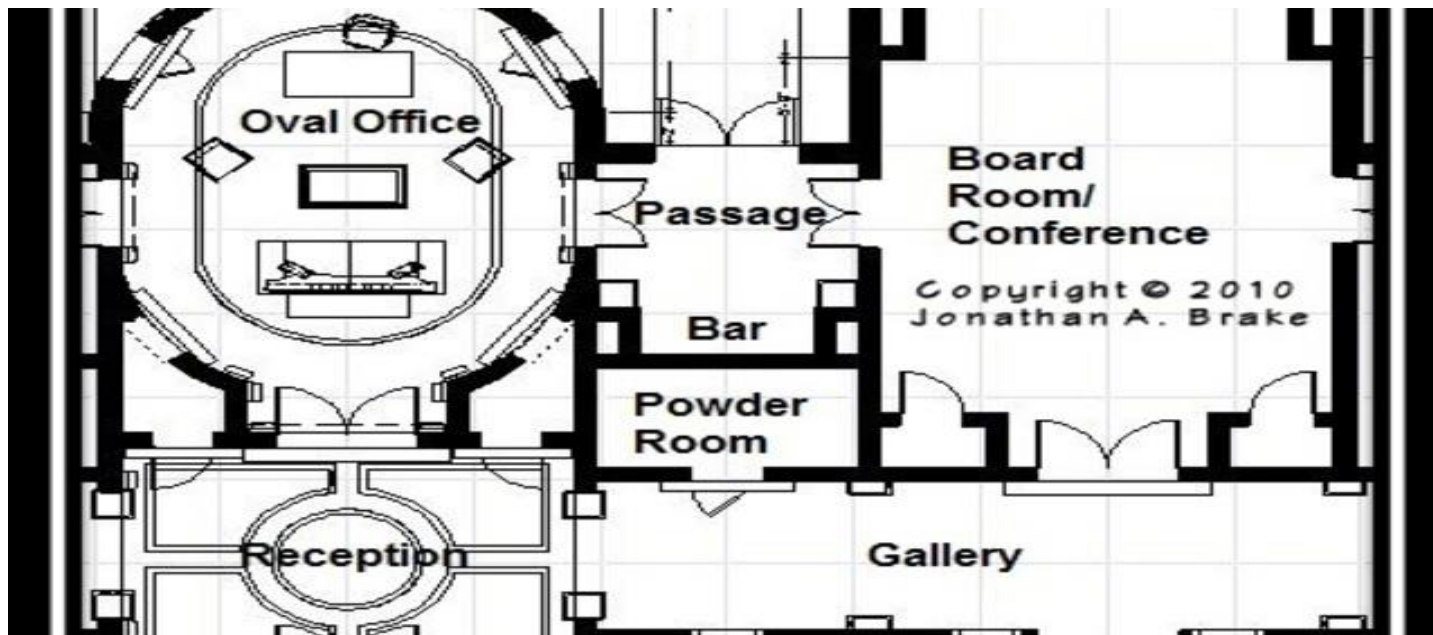
COVA Trax Integrated Modules



Partner: Department of Mine, Minerals & Energy



Partner: DGS Bureau of Facilities Management & Emergency Management













Partner: DGS Department of Engineering and Buildings Governor's Mansion Inventory








Fixed Asset Management


Asset Management

Fixed Assets





Asset Reference 
 Asset Serial Number
 Asset Name
 Alternative Reference
 Site
 Asset Type 
 Ledger 
 Property Ref 
 Agency 

Property Category
 Internal Key
 Edit Value ☐
 FA or Maint Asset 
 Voucher No
 Asset Type Desc 
 Account Set 
 Property Name 
 Cost Centre 

Count 
 Purchase Cost 
 Acquisition Date 
 Disposal Date 
 Category 
 Project 
 Unit 

Child Asset Reference	Serial Number	Asset Type	Asset Value	Inactive
<input type="text"/> 				

From To Of

Depreciation Policy	Policy Type	Method	Open Book Value	Start	End	G/L	Detail
							

From To Of
 Item Of

COVA Trax tracks . . .



Partner: DGS Procurement - eVA



Partner: DGS Surplus Property



Office of Surplus
Property Management



Virginia Department of General Services

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 Virginia's Real Estate & Assets Management System

REAL ESTATE SERVICES



DRES makes it easier for government to do business and Virginians to do business with government by providing a full range of real estate services to state agencies to best meet their needs while avoiding unnecessary costs.

DRES manages the Commonwealth's broad portfolio of leases, sells or assists with redeploying underutilized real estate assets and oversees other real estate transactions as needed by state agencies. The Division assists agencies and institutions to develop and maintain facility strategic plans, assessing current and future facility needs. DRES also maintains the Commonwealth's real estate record management system, COVA Trax, tracking land, building and lease data, and provides reports to the General Assembly on how facilities are used.

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BY THE NUMBERS

425,000 acres of land
in **1,000** locations

11,000 owned buildings with **130**
million square feet of space

15+ million
square feet of rental space in over **1,500** locations

500+ leases administered with annual
rental of **\$60 million**

\$137 million in cost savings and
avoidance since 2005

Keys to Efficient Management

- ✓ Expand data capture
- ✓ Simplify process
- ✓ Easier reporting
- ✓ Skilled staff
- ✓ Strategic/holistic management
- ✓ Utilizing technology and vendor resources





Division of
**Real Estate
Services**

Thank You



Questions